

# "Indian Economic Growth: Performance and Prospects"

## Rejoinder

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I HAD no difficulty in recognising that the 5 per cent rate of growth for agriculture and the 7 per cent rate of growth for income were the targets of the Planning Commission for the decade 1965-75. However, I wondered whether any normative significance could be attached to these targets which could justify K N Raj's making such a statement as "Failure to achieve the higher rate now required can be fatal in its consequences". Raj has replied by saying that the figures are estimates of the Perspective Planning Division and since the details have been published I "should have had no difficulty in understanding the assumptions on which they are based" (*The Economic Weekly*, August 28, 1965). Now let me repeat for clarification's sake: I am not wanting to know the *assumptions* underlying the Perspective Planning Divisions calculations, but the *rationale*, if any, of its targets which could lend them any normative significance.

In the "Notes on Perspective of Development India, 1960-61 to 1965-76" it is stated that the perspective plan has been drawn up with, among others, the following two objectives:

- (a) to ensure a minimum consumption of Rs 20 per capita per month to the entire population by the end of the fifth five year plan; and
- (b) to ensure that the economy will be capable of sustaining an average annual rate of growth of the order of 7 per cent even after 1975-76 *without depending on foreign aid,*" (italics added)

The minimum consumption target has got indeed the air of being a normative objective but it is not really one such. For Rs 20 has no more normative significance than any other figure, say Rs 22 or Rs 17.50. The only minimum consumption objective that could have any normative significance is to provide to the poorest classes a level of living that would ensure them the physiological minimum requirements of nutrition, clothing and housing. The requirement works out to around Rs 35 per capita per month at the prices of 1957-58 according to my own calculation.

The second objective, that of arriving at the stage of self-sustaining

growth by 1975-76, is indeed one that is of crucial significance; but the significance cannot be passed on to the targets of 5 per cent for agriculture and 7 per cent for income, as nowhere in the "Notes" is it explained how the rates are derived from or based on this particular objective. It is about this particular argument that a 7 per cent rate of growth would lead the country to the stage of self-sustaining growth within a decade that I have said that it has to be based on a plausible mathematical model to be convincing. I have not wanted that Raj should develop his arguments in his lectures with the help of a model. But I did expect that if he talks about certain targets as being "the minimum that needs to be achieved in the coming years", he should be convinced about the arguments that establish the rates to be the minimum in some sense. As I have said, no such arguments are to be found anywhere in any Planning Commission document. I wondered whether Raj had any of his own. The only systematic examination that has been undertaken of the possibilities of doing without foreign assistance by 1975-76 is that of Arjun Sengupta, published in this journal in the issue of August 14, 1965. His conclusions, I am afraid, would not lend much support to the Planning Commission in its wish-fulfilling attitude.

It is unfortunate that Raj confuses issues by referring to my results regarding the relative rates of growth of agriculture and industry, presented in an article and in some seminars. The problem examined there, among other things, was whether a 5 per cent rate of growth for agriculture is in balance with a 12 per cent rate of growth for industries, and if not what were the consequences of imbalance. The point T made in my comments on Raj's lectures has, however, nothing to do with inter-sectoral balance. I was merely asking why one should consider a 5 per cent rate of growth for agriculture as of such special significance that a failure to achieve it should be regarded as fatal. The question "what is minimum about the target of 5 per cent for agriculture" is certainly altogether different from the question, "is the

combination 5 per cent for agriculture and 12 per cent for industry balanced?"

I concede that I was less than fair to Raj in implying that he is not concerned about the increasing inequality in the distribution of income, for he has indeed expressed his dissatisfaction with this aspect of our economic growth on page 27. I also agree that the conclusion of increased inequality does not necessarily follow from the fact of the marginal saving rate being much higher than the average rates at the beginning and the end of a period. But I began my statement with, "To the extent that the pattern of income distribution determines the rate of saving...". Now it appeared to me that according to Raj the extent was very high indeed. I did understand him to mean that the high marginal rate of savings in India is primarily to be explained by the fact that "income distribution in India is perhaps more skewed than in many other countries."

Raj thinks that I have assumed "a priori that rates of growth of this order (of the order of 5 per cent) cannot be achieved". He also talks about my "apparent presumption that a higher rate of growth cannot be achieved in agriculture". Raj seems to think that rejection of a hypothesis is the same thing as the acceptance of a contrary hypothesis. However, in science the statement "data do not justify the acceptance of hypothesis A" is not at all equivalent to saying that "data justifies the acceptance of hypothesis not-A". Data can be neutral between the two hypothesis A and not-A. Of course, I do not have any stronger grounds to believe that a 5 per cent rate of growth in agriculture cannot be achieved than Raj has for believing that it can be achieved. I have not questioned Raj's assertion in order to advocate the negative view that no increase in agricultural rate of growth is possible. My position is that the evidence on which Raj is relying is too flimsy to sustain any hypothesis whatsoever, and one should not build up presumptions on such basis and give them wide publicity. Presumptions about likely rates of growth should be based on countrywide diagnostic surveys carried out by competent experts who

